THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

1985 Financial Report

86-04892/

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

TABLE OF CONTENTS

	PAGE
Regional Municipality of Ottawa-Carleton	
Members of Regional Council	1
Message from the Regional Chairman	2-3
Finance Department Officers	4
Report of the Finance Commissioner	5-12
Five Year Review	14
Auditors' Report	15
Consolidated Balance Sheet	16
Consolidated Statement of Operations	17
Consolidated Statement of Reserves and Reserve Funds	18
Notes to Consolidated Financial Statements	19-27
Accountants' Report	28
Schedule of Current Operations	29
Schedule of Capital Operations	30
Ottawa-Carleton Regional Transit Commission	
Auditors' Report	32
Balance Sheet	33-34
Statement of Revenue and Expenditure	35-36
Statement of Changes in Equity	37
Notes to the Financial Statements	38-43
Sinking Fund	
Auditors' Report	45
Balance Sheet	46
Statement of Revenue and Expenditure	47
Statement of Surplus	48
Notes to Financial Statements	49-51
Ottawa-Carleton Regional Health Unit	
Auditors' Report	53
Balance Sheet	54
Statement of Revenue and Expenditure	55
Notes to the Financial Statements	56-57
Homes for the Aged Trust Funds	
Auditors' Report	59
Statement of Continuity and Balance Sheet	60
Note to Financial Statements	61

THE REGIONAL
MUNICIPALITY OF
OTTAWA-CARLETON

CHAIRMAN
Haydon A.S.

CITY OF OTTAWA
Mayor:
* Durrell J. A.

Aldermen:
Brown G. M.
Fisher J. D.
Harb M.
Holmes D.
* Holzman J.
Kelly G.
* Kent D. B.
Laviolette M.
Maloney M.
* McSweeney M.
Morrison R. W.
O'Neill J.
Quinn R.
Smith N. L.
Wildgen R. E.

CITY OF VANIER
Mayor:
Lalonde G.

Alderman:
Killeen R.

VILLAGE OF ROCKCLIFFE PARK
Mayor:
Murray P. J.

TOWNSHIP OF CUMBERLAND
Mayor:
* Clark P. D.

CITY OF GLOUCESTER
Mayor:
* Allen J. H.

Councillors:
Cain C.
Cantin R. G.

TOWNSHIP OF GOULBOURN
Mayor:
Wytenburg A.

CITY OF KANATA
Mayor:
Adam D.

CITY OF NEPEAN
Mayor:
* Franklin B.

Aldermen:
Gaffney B.
Hunter G. W.
Reid F.

TOWNSHIP OF OSGOODE
Mayor:
* Bouwers A.

TOWNSHIP OF RIDEAU
Mayor:
Brooks R. G.

TOWNSHIP OF WEST CARLETON
Mayor:
Craig E. K.

* Denotes Executive Committee Members

On January 1, 1969 the Regional Municipality of Ottawa-Carleton was formally created by an Act of the Ontario Provincial Legislature. It is the second largest regional municipality in Ontario. There are strong social, economic and historic lines between the Region's urban and rural communities.

Regional affairs are guided by a Council drawn from among the Mayors and Aldermen elected to serve local municipalities. Regional Council consists of thirty-two representatives responsible for policies and practices affecting the entire Region.

The Chairman, elected by Council Members at the beginning of each new term of office, acts as the Chief Executive Officer of the Corporation, chairs all Council meetings and supervises the execution of Council's decisions.

A competent, well-trained staff of over 1,500 men and women perform daily duties on behalf of the Region ensuring that member municipalities enjoy a uniformly satisfactory level of basic services.

Ottawa-Carleton has a long history of cultivating innovation. Over the years, the growing concentration of private sector, university and government research labs and technology centres has acted as a magnet for individuals and companies seeking opportunities. It is where new ideas have spawned new products and new companies. The enhanced development of high technology in Ottawa-Carleton has been successful through the committed efforts of the Ottawa-Carleton Economic Development Corporation, a private sector organization whose efforts have catalyzed the "Move to Ottawa-Carleton."

Ottawa-Carleton and its transit organization, OC Transpo, are creating a unique rapid transit system at relatively low cost. What is happening in Ottawa-Carleton should be studied very carefully by political leaders, transit advocates, urban planners and others throughout the world concerned with the quality of life in our cities. Undoubtedly, Ottawa-Carleton is on to something.

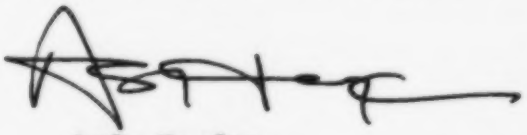
A fee assessed to the builder of new housing units constructed within Ottawa-Carleton has been established. The "Regional Development Charge" (RDC) provides a source of funding for regional infrastructure projects required to service new growth in the Region. In other words, it is another example of making the Corporation's revenue structure reflect the principle of "user-pay". Ottawa-Carleton's pay-as-you-go policy is a long term commitment to avoid debt financing. The benefits of the RDC and the pay-as-you-go policy in the long term will be felt by the reduction of annual tax increases, which have been high in the past.

This year legislation will be passed incorporating the Regional Health Unit into the Region and as a result will add public health as a regional responsibility and make up a new Regional Health Department with a standard of services that compares favourably with any in the country.

The Region has also embarked on a Major Waste Management Master Plan which involves a three-stage approach to developing a comprehensive program for handling the Region's solid wastes for the next 25 years.

Ottawa-Carleton can be proud of its achievements and can only continue to provide the best services possible thanks to the dedication of its employees.

All levels of staff deserve to be commended for their efforts. They make Ottawa-Carleton the best place in which to live.



Andy Haydon,
Chairman

THE REGIONAL
MUNICIPALITY OF
OTTAWA-CARLETON

FINANCE DEPARTMENT OFFICERS

J.C. LeBelle
Finance Commissioner & Treasurer

L. W. Russell
Deputy Treasurer &
Director of Budget and
Accounting Services

D.F. Gray
Director, Treasury, Debt
& Administrative Services

R.A. Scott
Manager
Accounting Services

N. Said
Manager
Municipal & Administrative
Services

M. Ali
Manager
Budget Services

A.K. Davidson
Manager
Debt & Treasury Services

R. Landry
Manager
Customer Services

AUDITORS

Clarkson Gordon
Chartered Accountants

R. Palmer
Regional Internal Auditor

I am pleased to present the Financial Report of the Regional Municipality of Ottawa-Carleton for the year ended December 31, 1985.

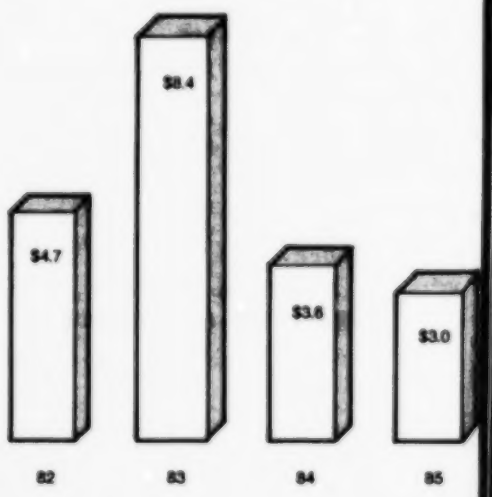
The consolidated balance sheet and consolidated statement of operations at pages 16 and 17 respectively present the current and capital operations of the Region, as well as the financial activities of the Regional Health Unit and the Regional Transit Commission. These statements do not include the financial activities of the trust funds at the Homes for the Aged, the Regional Sinking Fund and certain programs administered by the Regional Health Unit on behalf of the Province of Ontario.

YEAR-END POSITION

The Region in completing its seventeenth year of operation continues to maintain a sound financial position. The current operations of the Region for the year 1985 produced a surplus of slightly under 3 million dollars. In accordance with past practice, Council directed that this surplus be contributed to reserve funds to reduce long term debt requirements for capital projects. Since 1982, $19.7 million in supplementary contributions has been made to capital reserve funds and subsequently was used to offset debenture requirements in the same period.

SUPPLEMENTARY CONTRIBUTIONS TO RESERVE FUNDS

(IN MILLIONS)



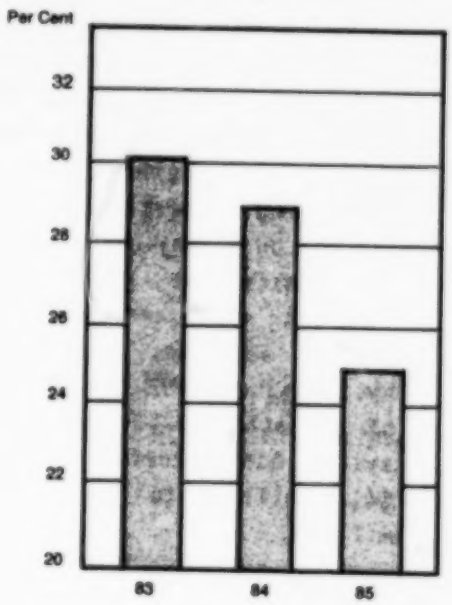
CONSOLIDATED FINANCIAL POSITION

There has been a significant improvement in the year-end receivable position with the Province with respect to subsidies. In the latter part of 1984, the Region streamlined its subsidy claims procedures with the result that claims were submitted on a more timely basis and subsidy monies started flowing to the Region much sooner. Temporary borrowing costs were correspondingly reduced and the ratio of subsidies receivable to total subsidy revenue was reduced from 30.1% in 1983 to 24.9% in 1985.

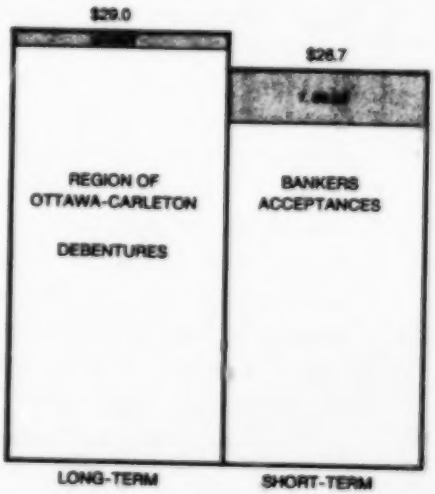
Investments held by reserve funds increased by almost $12 million to $55.7 million during 1985. Regional debentures comprise a major portion of reserve fund holdings, with the balance consisting of treasury bills, bankers acceptances and other government bonds. Certain holdings of Regional debentures represent investments of in-house issues mainly on behalf of area municipalities. These holdings reflect the present policy of financing certain needs which cannot be met through the Region's public issues. In addition, the Region periodically purchases redeemable debentures to reduce or eliminate a required call by lot at the redemption date.

Short term holdings represent immediately available funds and these deposits fluctuate depending on the cash flow requirements of Regional programs.

RATIO OF SUBSIDIES RECEIVABLE TO TOTAL SUBSIDY REVENUE

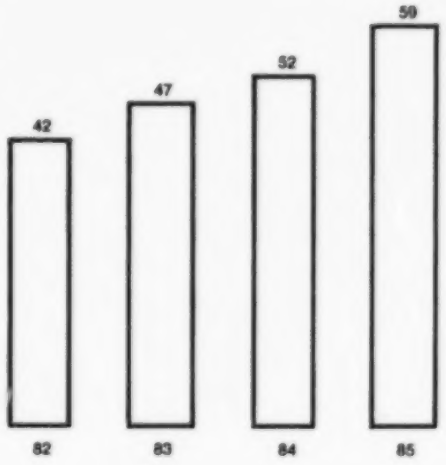


RESERVE FUND INVESTMENTS (IN MILLIONS)



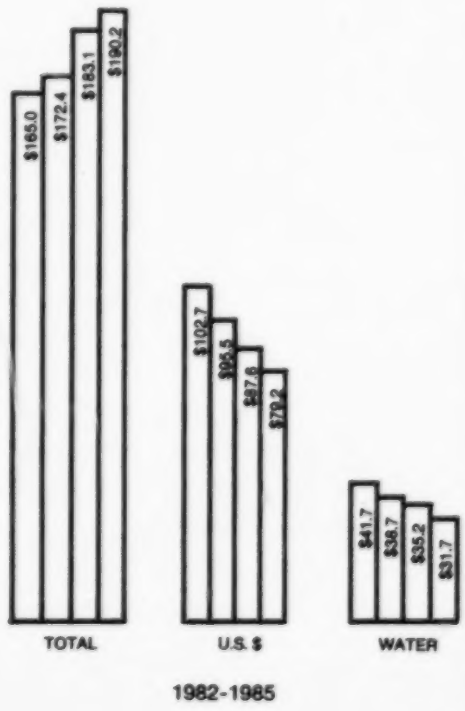
The Region's net long term debt was $190 million at the end of 1985 compared to $165 million four years ago. This is a relatively small increase when it is considered that the capital spending program for this period amounted to $409 million. The stability in the Region's long term debt was achieved through Council's determined effort to fund an increasing proportion of the capital spending program on a "pay-as-you-go" basis. Funding on this basis has increased from 42% of net financing requirements in 1982 to 59% in 1985. No new debt has been issued for the water system since 1982 despite capital expenditures of $24 million. The outstanding debt for this system has therefore steadily declined from $41.7 million to its present level of $31.7 million.

PAY-AS-YOU-GO
% OF NET FINANCING REQUIREMENT



The Region's net long term debt includes $79.2 million of U.S. denominated debentures which are translated at the rate of exchange prevailing when the debentures were issued. Translation at the rate of exchange on December 31, 1985 would increase the amount by $20.4 million. The Region has a Debenture Currency Exchange Reserve Fund in the amount of $13.2 million that is used to partially offset foreign exchange losses incurred on the repayment of this debt. From time to time, the Region also utilizes forward exchange contracts to minimize its potential exchange risk. It should be noted that no new U.S. pay debt has been issued since 1982, and the amount outstanding has been reduced from $102.7 million to $79.2 million.

NET LONG TERM DEBT
(IN MILLIONS)



RESERVES AND RESERVE FUNDS

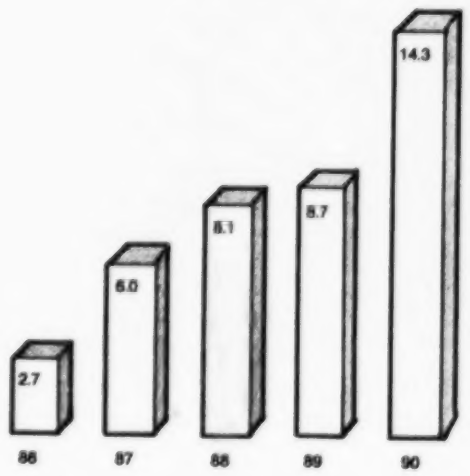
Reserves and reserve funds have steadily grown over the past five years from $35.4 million in 1981 to $83.3 million at the end of 1985. This balance includes $48.2 million set aside to finance capital projects. Approximately $27.1 million of this amount was already committed to projects under construction leaving an uncommitted balance of $21.1 million.

Total revenues amounted to $46.8 million and consist mainly of contributions from current operations and interest earnings.

A new source of revenue was introduced in 1985 when Council approved a policy with respect to the imposition of lot levies on residential development. Although revenues from this source were relatively minor in 1985, current projections indicate that revenues will reach $8.7 million in 1989 and $14.3 million in 1990. The policy calls for a phase-in of the levy together with an exemption on certain existing subdivisions. As a result, revenues will be relatively low in 1986 but will climb noticeably over the next few years. In addition, the Region will undertake a further policy study in 1986 regarding the imposition of lot levies on commercial and industrial development.

Also of major interest in 1985, is the final resolution of a dispute with respect to the Vested Employee Benefits Reserve Fund. This reserve fund consists of the Region's share of excess OMERS pension contributions made from 1973 to 1977 and returned to the Region in 1978 and 1979. The $6.8 million in this reserve fund is now available to partially offset the Region's liability (excluding OC Transpo) for accumulated sick leave and vacation leave which amounted to $8.7 million at the end of 1985.

LOT LEVIES
PROJECTED REVENUE (IN MILLIONS)



CONCLUSION

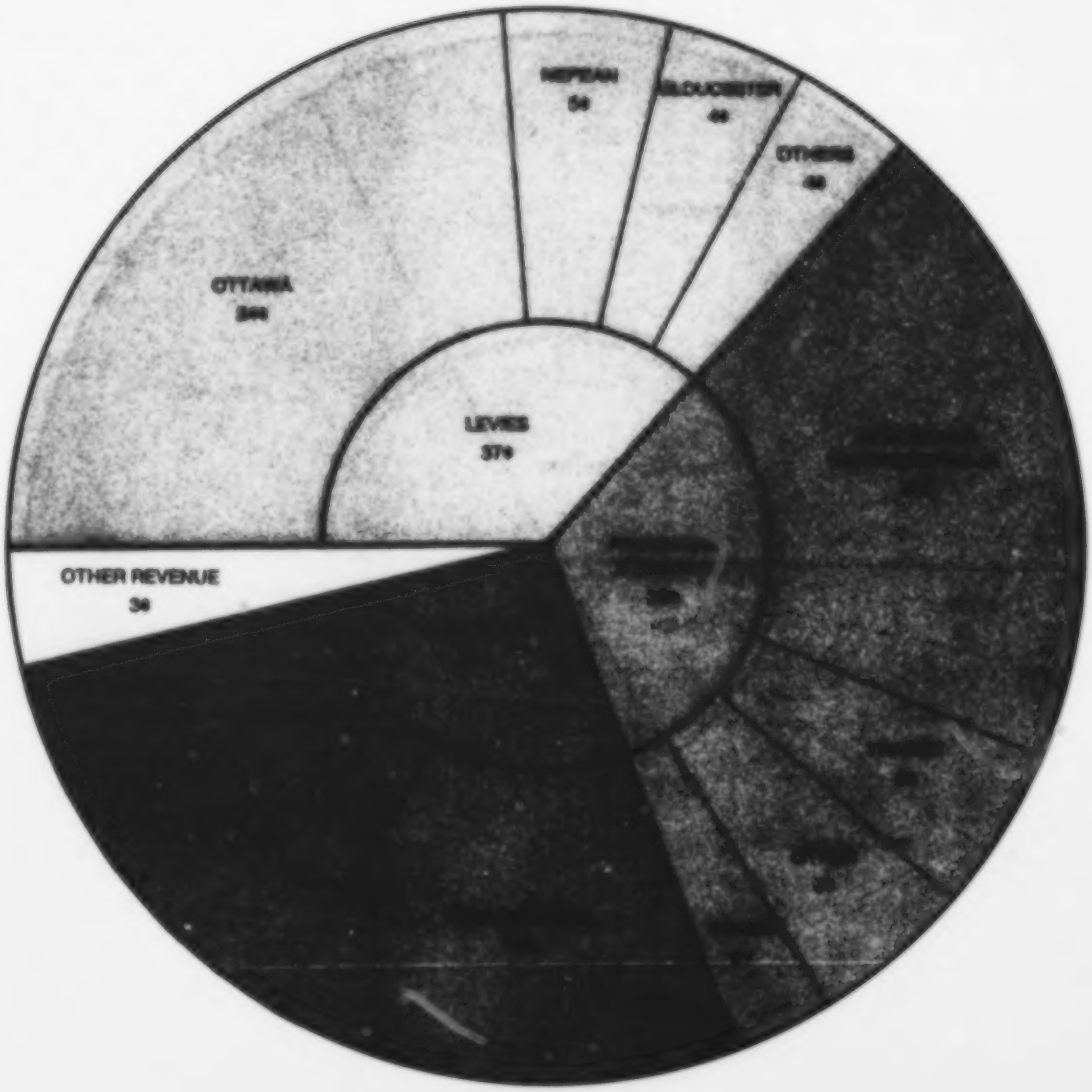
In 1985, a new source of revenue was introduced in the form of lot levies. With the pressures on the capital program to keep up with infrastructure needs, Council must continue its efforts to find new sources of revenue and carry on its "pay-as-you-go" approach to maintain the debt load at a reasonable level.

This report is the culmination of a considerable amount of work on the part of the Finance Department staff in co-operation with Regional departments and the external auditors. I wish to recognize their efforts and express my appreciation.

J. C. LeBelle, C.A.
Finance Commissioner and Treasurer

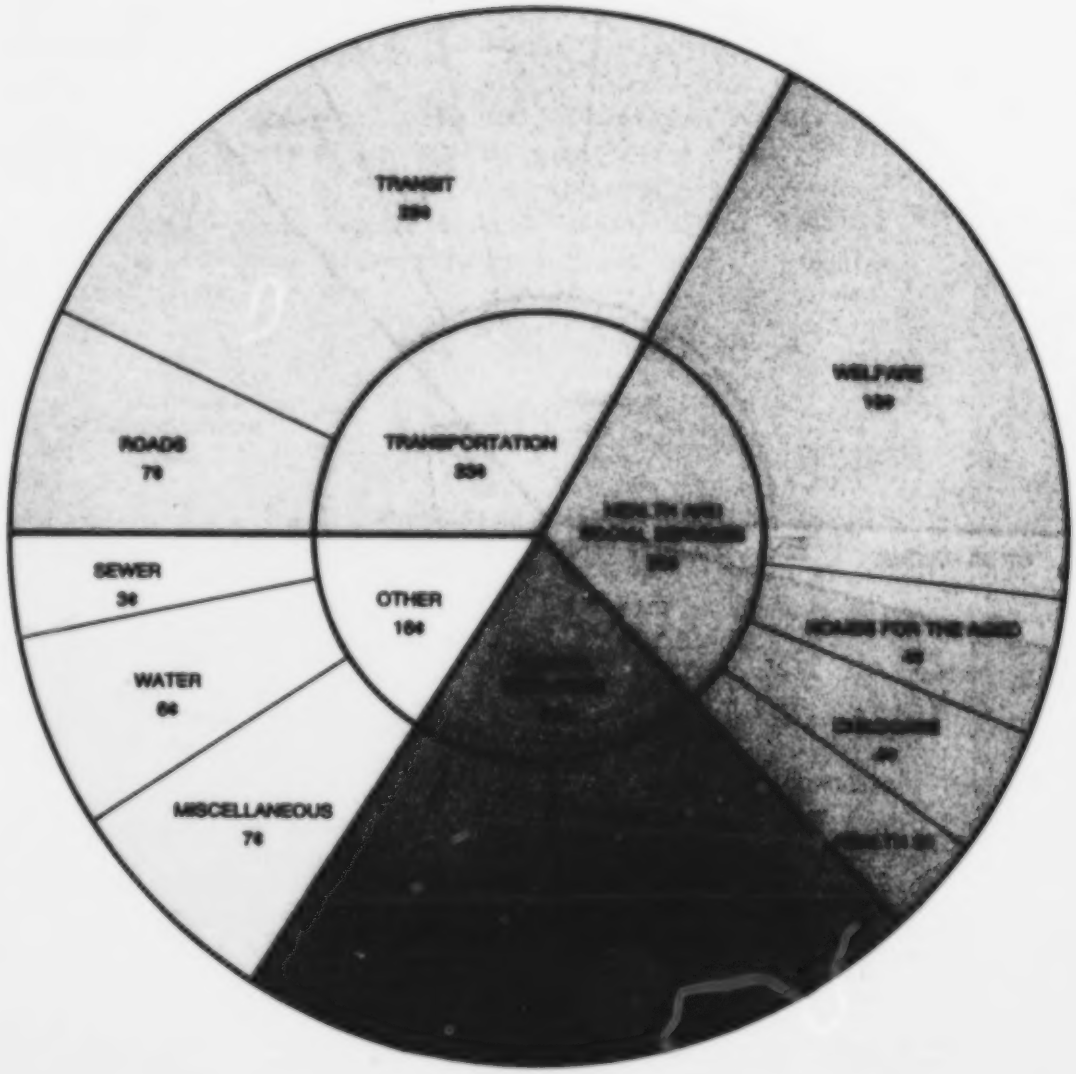
THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON
CURRENT OPERATIONS
1985 REVENUE ($379,012,000)

WHERE EACH DOLLAR CAME FROM



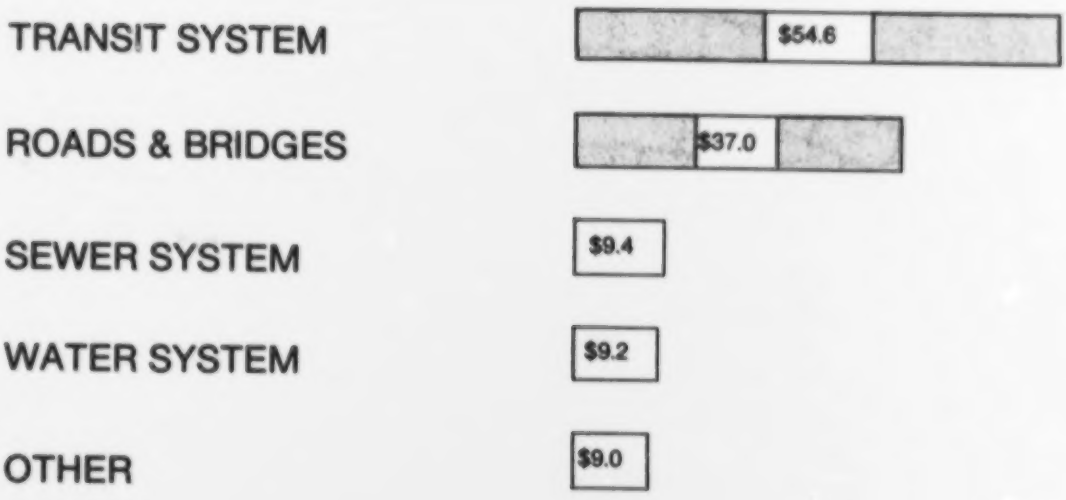
THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON
CURRENT OPERATIONS
1985 EXPENDITURES ($379,012,000)

HOW EACH DOLLAR WAS SPENT

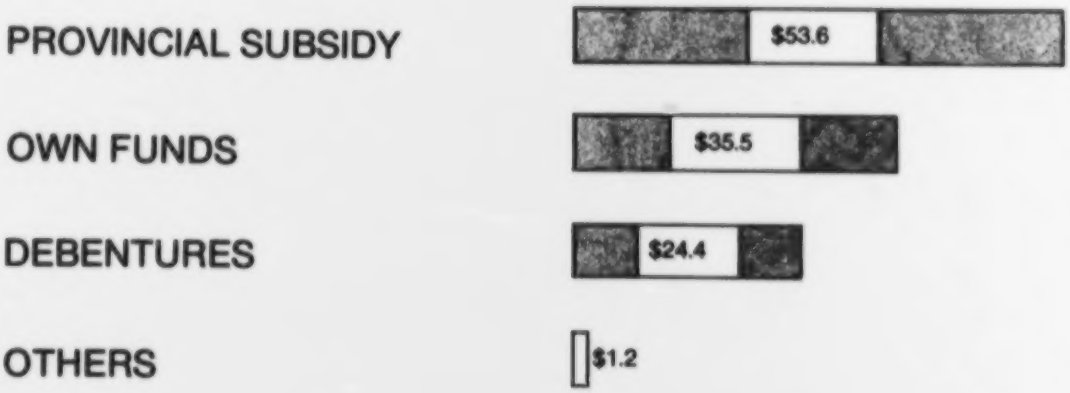


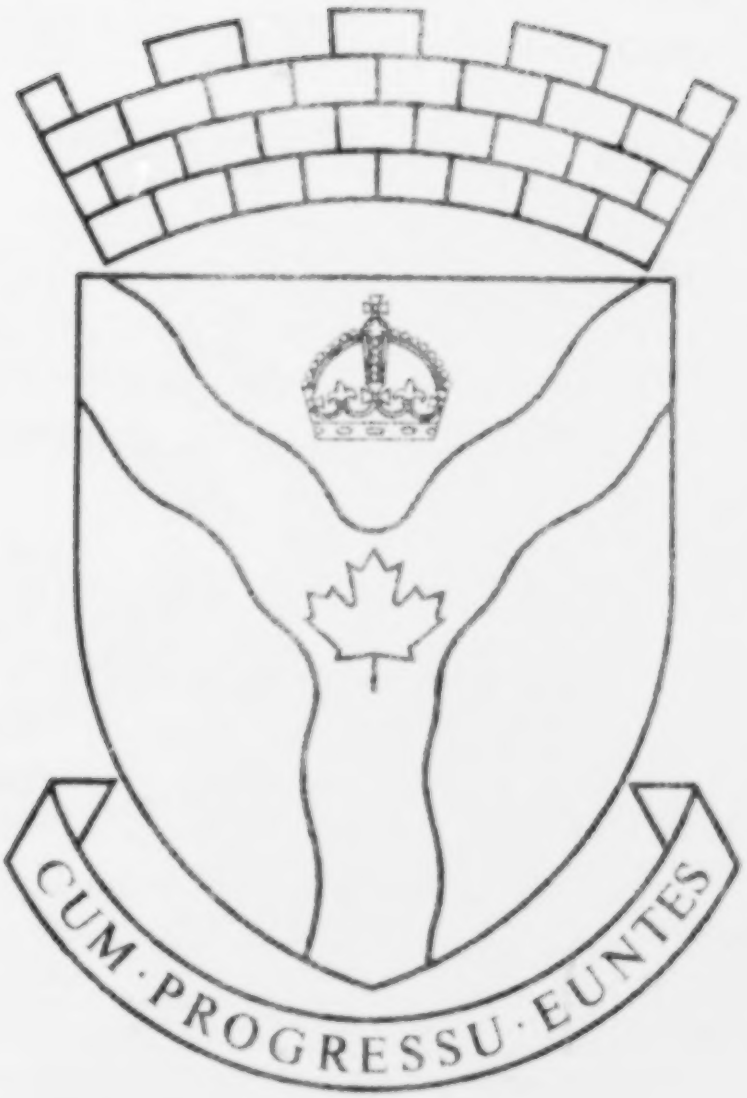
THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON
CAPITAL OPERATIONS

EXPENDITURES ($119.2 MILLION)



FINANCING ($114.7 MILLION)




CUM·PROGRESSU·EUNTES

THE REGIONAL MUNICIPALITY
OF OTTAWA-CARLETON

(All dollar amounts are in thousands except where indicated)	1985	1984	1983	1982	1981
Statistical Information					
Population	599,688	581,104	569,747	562,782	553,537
Households	237,726	231,237	223,307	216,764	211,065
Regional Employees					
- Full time	4,483	4,346	4,235	4,199	4,160
Assessment					
- Total (millions)	24,519	21,021	18,486	16,519	15,599
- Per Capita	41	36	32	29	28
Current Revenues					
- Levies	140,146	123,375	106,671	93,698	73,000
- Grants	124,676	111,656	101,400	90,613	85,920
- Total	379,012	335,909	298,923	264,201	226,102
Current Expenditures					
- Transportation	159,414	145,355	129,215	118,649	98,892
- Total	376,456	337,912	299,468	265,426	226,318
- Per Capita (dollars)	628	581	526	472	409
Capital Financing					
- Debentures	24,406	26,513	20,581	23,981	645
- Own funds	35,493	28,716	18,061	17,457	10,453
- Total	114,719	117,258	96,409	87,511	39,322
Capital Expenditure					
- Transportation	91,677	87,838	66,241	48,460	31,851
- Total	115,748	116,233	95,508	81,495	45,020
- Per Capita (dollars)	193	200	168	145	82
Net Long Term Liabilities					
- Total	190,223	183,128	172,370	164,993	149,480
- Per Capita (dollars)	317	315	303	293	270
- % of assessment	0.78	0.87%	0.93%	1.00%	0.96%
Reserves & Reserve Funds	83,260	73,786	66,447	53,537	35,449

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Clarkson Gordon

Chartered Accountants
Suite 1200
160 Elgin Street
Ottawa, Canada K2P 2C4
Telephone: (613) 232-1511
Telex: 053-4206

To the Chairman and Members of Council
of The Regional Municipality of Ottawa-Carleton:

We have examined the consolidated balance sheet of The Regional Municipality of Ottawa-Carleton as at December 31, 1985 and the consolidated statements of operations and reserves and reserve funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these consolidated financial statements present fairly the financial position of The Regional Municipality of Ottawa-Carleton as at December 31, 1985 and the results of its operations for the year then ended in accordance with accounting principles prescribed for Ontario Municipalities applied on a basis consistent with that of the preceding year.

Clarkson Gordon

Ottawa, Canada,
April 4, 1986,
Licence No. 1217.

Chartered Accountants

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

CONSOLIDATED BALANCE SHEET
December 31, 1985

	1985 (000's)	1984 (000's)
ASSETS		
Unrestricted		
User charges receivable	$ 9,062	$ 7,736
Accounts receivable - Ontario	44,262	47,226
- Other	4,863	5,874
Other current assets	10,323	8,531
Restricted		
Cash	1,411	1,850
Investments (note 8)	55,655	43,868
Accrued interest	1,603	1,478
Loans receivable	23,088	25,582
Long Term		
Capital outlay (note 7)	190,223	183,128
Other long term assets	7,291	2,820
	$347,781	$328,093
LIABILITIES AND RATEPAYERS' EQUITY		
Current Liabilities		
Temporary loans	$ 9,976	$ 8,778
Accounts payable	35,376	36,904
Loans from reserve funds	23,088	25,582
Other current liabilities	3,060	3,075
Long Term Debt (notes 2, 3 and 4)		
Net long term liabilities	190,223	183,128
Pension obligations and other	7,291	2,820
Fund Balances (note 6)		
Reserves and reserve funds	83,260	73,786
Current operations		(2,556)
Capital operations	(4,493)	(3,424)
	$347,781	$328,093

(See accompanying notes to consolidated financial statements)

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

CONSOLIDATED STATEMENT OF OPERATIONS
year ended December 31, 1985

	1985 (000's)	1984 (000's)
SOURCES OF FINANCING		
Levy and User charges		
Requisition on area municipalities	$140,146	$123,375
Transit fares	53,345	48,819
Sale of water and sewer surcharge	36,011	31,378
Other	12,442	10,464
Contributions from Other Governments		
Canada	1,623	9,342
Ontario	177,635	163,992
Other municipalities	4,243	3,457
Other	9,576	7,936
Net Long Term Liabilities Issued	24,406	26,513
	459,427	425,276
Fund Balances at Beginning of Year		
Reserves and reserve funds	73,786	66,447
Current operations	(2,556)	(553)
Capital operations	(3,424)	(4,449)
	$527,233	$486,721
APPLICATIONS		
General government	$ 21,535	$ 29,357
Protection to persons and property	1,429	1,374
Transportation services	231,585	218,585
Environmental services	66,186	52,071
Health services	15,251	13,706
Social and family services	103,827	88,633
Recreational and cultural services	579	522
Planning and development	8,074	14,667
	448,466	418,915
Fund Balances at End of Year		
Reserves and reserve funds	83,260	73,786
Current operations		(2,556)
Capital operations	(4,493)	(3,424)
	$527,233	$486,721

(See accompanying notes to consolidated financial statements)

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

CONSOLIDATED STATEMENT OF RESERVES AND RESERVE FUNDS
year ended December 31, 1985

	1985 ($000's)	1984 (000's)
Balance at the beginning of the year	$73,786	$66,447
Revenue		
Contributions from current operations	38,174	30,999
Investment income	7,727	7,037
Lot levies	654	
Other	211	60
Total revenue	46,766	38,096
Expenditure		
Transfers to capital operations	29,818	24,241
Transfers to current operations	7,403	6,272
Other	71	244
Total expenditure	37,292	30,757
Balance at the end of the year	$83,260	$73,786
Analysed as follows		
Reserves		
Working capital	$ 2,305	$ 2,305
Capital expenditures	1,496	2,454
Vested employee benefits	819	865
Deferred costs	797	318
Inventory	254	268
Self Insurance	234	184
Consultants	26	108
	5,931	6,502
Reserve Funds		
Capital expenditures	46,728	39,025
Debenture currency exchange	13,225	14,505
Vested employee benefits	6,818	6,133
Equipment replacement	5,954	4,486
Winter control	1,670	1,533
Landfill	1,301	544
Self insurance	968	1,058
Lot levies	654	
Other	11	
	77,329	67,284
	$83,260	$73,786

(See accompanying notes to consolidated financial statements)

Note 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Regional Municipality of Ottawa-Carleton (the "Region") have been prepared by management within reasonable limits of materiality and in accordance with accounting policies which conform to accounting principles prescribed or accepted for Ontario municipalities. These policies have been applied in all material respects on a basis consistent with that of the preceding year. Since precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates which have been made using careful judgement. The following is a summary of the significant accounting policies of the Region:

a. Consolidated Balance Sheet

This statement reflects the assets and liabilities of the current and capital operations of the Region including the assets and liabilities of the Regional Sewer System, the Regional Water Supply System, the Ottawa-Carleton Regional Health Unit, the Public Transit System as well as all Reserve Funds of the Region. Trust Funds at the Homes for the Aged and the Sinking Fund are not included but are shown separately.

b. Consolidated Statement of Operations

This statement reflects the consolidated sources of financing and expenditures of the current and capital operations of the Region, Regional Sewer System, Regional Water Supply System, Ottawa-Carleton Regional Health Unit, Public Transit System as well as all changes in Reserves and Reserve Funds of the Region. The operations of Trust Funds at the Homes for the Aged and the Sinking Fund are not included but are shown separately.

This statement does not reflect charges for long term liabilities issued by the Region for area municipality purposes. These charges are recovered from the area municipalities concerned. In addition, that portion of sewer surcharges which is passed on directly to the area municipalities is not reflected in this statement.

c. Fixed Assets

The historical cost and accumulated depreciation for fixed assets are not recorded for municipal purposes. Fixed assets are reported as an expenditure on the Consolidated Statement of Operations in the year of acquisition. For those fixed assets financed or to be financed by the issue of long term indebtedness, the principal and interest on the long term indebtedness are also reported on the Consolidated Statement of Operations as they are paid.

d. Capital Outlay

Capital outlay which represents the outstanding principal portion of unmatured long term liabilities for municipal expenditures or capital funds transferred to other organizations, is reported on the Consolidated Balance Sheet.

e. Accrual Accounting

The accrual basis of accounting recognizes revenues as they become available and measurable; expenditures are recognized as they are incurred and measurable as a result of receipt of goods or services and the creation of a legal obligation to pay.

Sources of financing and expenditures are reported on the accrual basis of accounting except principal and interest charges on long term liabilities and vested leave benefits which may be paid on termination both of which are charged to operations in the periods in which they are due.

f. Foreign Currency Translation

Assets and liabilities expressed in a foreign currency are translated into Canadian dollars at the current rate of exchange at the balance sheet date, except for long term liabilities and other restricted foreign currency balances which are translated into Canadian dollars at the rate of exchange in effect when the transaction occurred.

g. Reserves and Reserve Funds

Reserves are allocations out of current operations which are retained for general or specific purposes. Reserve Funds which usually require allocations out of current operations are supported by designated assets, usually cash and investments set aside by By-law for some specific future use. Contributions from current operations to Reserves and Reserve Funds are recorded as expenditures in the Consolidated Statement of Operations.

h. Lease Obligations

Lease obligations which effectively constitute the purchase of assets are classified in the Consolidated Balance Sheet as net long term liabilities and capital outlay.

i. Accounts Receivable

Accounts receivable include grants and other amounts due from other governments, principally the Province of Ontario, and trade accounts for services provided.

The Region reviews its accounts receivable annually and provides in the current budget for any accounts considered to be doubtful. The balance appearing as accounts receivable on the Consolidated Balance Sheet is net of allowance for doubtful accounts.

j. Inventories

Inventories of materials and finished goods are included in other current assets and are reflected at cost on the basis of latest invoice price plus direct labour and overhead where applicable.

k. Underwriting Discounts and Debenture Issue Expenses

Debenture issue commissions and expenses as well as underwriting premiums are reflected in the Consolidated Statement of Operations in the year in which the debentures are issued. Underwriting discounts are reflected in the following year in accordance with section 187(3) of the Municipal Act.

l. Investments

Investments are initially recorded at cost and are adjusted annually for amortization of discount or premium on the basis of the effective annual yield as determined at the date of purchase with the amount of such amortization included in income from investments.

m. Interfund Eliminations

On the Consolidated Balance Sheet, interfund assets and liabilities are eliminated with the exception of formalized notes or loans between the Reserve Funds and other funds of the Region.

Similarly, on the Consolidated Statement of Operations, interfund sources of financing and applications are eliminated with the exception of interest income and expense arising from formalized notes or loans between the Reserve Funds and other funds of the Region.

Note 2. NET LONG TERM LIABILITIES

The balance of net long term liabilities reported on the Consolidated Balance Sheet is comprised of the following:

	1985 (000's)	1984 (000's)
Long term liabilities issued by the Region	$370,438	$355,832
Long term liabilities issued by area municipalities and assumed by the Region	11,320	12,429
Total gross long term liabilities	381,758	368,261
Less total value of the Sinking Fund which has been accumulated to the end of the year to retire outstanding long term liabilities	57,004	48,926
Total net long term liabilities	324,754	319,335
Less net long term liabilities recoverable from area municipalities and school boards	134,531	136,207
Net long term liabilities for Regional purposes only	$190,223	$183,128

Note 3. CHARGES FOR NET LONG TERM LIABILITIES (REGIONAL PURPOSES)

a. Total charges for the year for net long term liabilities are as follows:

	1985 ('000's)	1984 ('000's)
Principal payments including contributions to the Sinking Fund	$ 14,363	$ 12,803
Interest	22,001	19,787
	$ 36,364	$ 32,590
These charges are paid from:		
General municipal operations	$ 27,964	$23,506
Water and OC Transpo operations	8,400	9,084
	$ 36,364	$32,590

b. Principal payments including contributions to the Sinking Fund, and interest charges for 1986 and future years are as follows (in thousands):

	Principal	Interest	Total
1986	$ 14,927	$ 22,883	$ 37,810
1987	14,647	21,917	36,564
1988	14,675	20,903	35,578
1989	15,581	19,775	35,356
1990	15,820	18,392	34,212
1991-1995	64,445	66,166	130,611
1996 and thereafter	32,103	16,229	48,332
	$172,198	$186,265	$358,463
These charges will be paid from:			
General municipal operations	$136,642	$149,640	$286,282
Water and OC Transpo operations	35,556	36,625	72,181
	$172,198	$186,265	$358,463

In addition, it is estimated that total interest to be earned by the Sinking Fund will amount to approximately $18,025,000 which will be used to retire sinking fund debenture debt commitments at maturity.

Note 4. NET LONG TERM LIABILITIES PAYABLE IN U.S. CURRENCY

Long term liabilities (net of the Sinking Fund) payable in U.S. currency for Regional purposes and translated into Canadian dollars at the rate of exchange in effect when the liabilities were incurred amount to $79,215,500 Cdn. at December 31, 1985 ($87,651,000 Cdn. in 1984). If these liabilities were translated into Canadian dollars at the exchange rate prevailing at December 31, 1985, they would be increased by $20,421,000 ($16,984,000 in 1984).

In addition, long term liabilities payable in U.S. currency for area municipality purposes and translated into Canadian dollars amount to $44,154,000 Cdn. as at December 31, 1985 ($50,322,000 Cdn. in 1984). If these liabilities were translated into Canadian dollars at the exchange rate prevailing at December 31, 1985, they would be increased by $9,491,000 ($7,792,000 in 1984).

As at December 31, 1985, the Region has a Debenture Currency Exchange Reserve Fund in the amount of $13,225,000 a portion of which is used each year to offset total foreign exchange costs. Certain area municipalities also have reserve funds to offset foreign exchange costs.

Note 5. INTEREST ON LONG TERM LIABILITIES

No provision has been made in the consolidated financial statements for the accrual of interest on net long term liabilities. Had this provision been made for the first time in 1985, there would have been an additional charge of $6,679,500 ($6,310,000 in 1984). There would have been no change in the fund balance for current operations as this additional amount would have been levied in the year of change.

Note 6. FUND BALANCES

a. CURRENT OPERATIONS

To reduce future long term debt requirements for capital projects, it has been the practice of Council since 1982 to make supplementary contributions to Reserve Funds in amounts equal to the surplus, if any, in each of the current operating funds.

At year end, supplementary contributions to Reserve Funds were made from the following current operating funds.

	1985 (000's)	1984 (000's)
General	$ 536	$ 788
Water	1,151	2,474
Sewer	949	282
Transit	67	
Landfill	247	84
	$2,950	$3,628

b. CAPITAL OPERATIONS

Unfinanced capital operations at the end of the year will be financed as follows:

	1985 (000's)	1984 (000's)
From proceeds of long term liabilities	$4,493	$3,212
From Reserve Funds	———	212
	$4,493	$3,424

Approval of the Ontario Municipal Board has been obtained for the pending issues of long term liabilities and for those commitments to be financed from revenues beyond the term of Council.

Note 7. CAPITAL OUTLAY

Included in capital outlay is $31,673,000 ($35,199,000 in 1984) incurred on behalf of the Regional Water Supply System which does not represent a burden on general municipal operations as it is to be recovered in future years from water rates and other charges.

Note 8. INVESTMENTS

Restricted investments of $55,655,000 are comprised of $28,317,000 in Regional debentures which are recorded at amortized cost and have a market value of $31,459,000 and $27,338,000 in other investments which are recorded at amortized cost and have a market value of $27,569,000.

Note 9. LIABILITY FOR VESTED EMPLOYEE BENEFITS

The Region's liability with respect to employees' accumulated sick leave days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to approximately $7,854,000 as at December 31, 1985 ($8,105,000 in 1984).

The Region's liability with respect to accumulated vacation leave entitlement amounted to approximately $2,234,000 ($1,514,000 in 1984) as at December 31, 1985.

These costs are charged to expenditures in the year in which they are paid and the related vested unpaid amounts are not reflected in the Consolidated Balance Sheet. The Region has a Reserve and Reserve Fund for vested employee benefits, the aggregate balances of which at December 31, 1985 amounted to $7,637,000 ($6,998,000 in 1984).

Note 10. PENSIONS

a. The Region provides pension benefits for its employees and members of Regional Council through the Ontario Municipal Employees' Retirement System (OMERS), as well as the City of Ottawa Superannuation Fund (COSF) for certain employees formerly with the City of Ottawa.

Actuarial evaluations of the OMERS and COSF plans were made on January 1, 1985 and December 31, 1984 respectively and no experience deficiency existed in either plan.

The Region's share of the annual contribution to pension plans is charged to expenditures in the year in which the contribution is made.

b. The Ottawa-Carleton Regional Transit Commission has a contributory pension plan which provides for pensions based on length of service and rate of pay. An actuarial valuation has quantified the unfunded liability and an amount of $7,824,000 ($2,574,000 in 1984) has been reported in the accompanying financial statements. This amount represents the present value, at a discount rate of 6 per cent, of prescribed future annual payments totalling (in thousands):

Period	Annual Payment	Total
1986-1990	$957	$ 4,785
1991	855	855
1992	830	830
1993	671	671
1994	644	644
1995	575	575
1996-1999	562	2,248
		$10,608

The actuarial valuation has further indicated that there was no experience deficiency in the pension plan as of January 1, 1985.

Note 11. COMMITMENTS

a. The Region has outstanding commitments with respect to capital authorities existing at December 31, 1985 in the amount of $25,668,000 ($40,436,000 in 1984).

b. The Region is also committed to the following payments over the next five years under various lease agreements (in thousands).

1986	$3,156
1987	2,996
1988	2,867
1989	2,763
1990	1,988

Note 12. CONTINGENT LIABILITIES

a. A number of major landlords within the Region have instituted an action appealing the method used in calculating the assessment of multi-unit dwellings. The County Court has reversed a decision of the Assessment Review Court and has ruled in favour of the appellants but the decision is being appealed to the Ontario Municipal Board. Due to the degree of uncertainty in establishing the validity and the quantum of the claims, no provision has been recognized in the accounts of the Region.

b. The Region has other outstanding litigation and claims in dispute as at December 31, 1985 the settlement of which is not expected to have any material effect upon the current operations of the Region and accordingly, no provision has been made in the accounts.

Note 13. FINANCIAL STATEMENT PRESENTATION

Certain of the 1984 figures have been reclassified to conform to the presentation followed in 1985.

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Clarkson Gordon

Chartered Accountants
Suite 1200
160 Elgin Street
Ottawa, Canada K2P 2C4
Telephone: (613) 232-1511
Telex: 053-4206

ACCOUNTANTS' REPORT

Our examination of the consolidated financial statements of The Regional Municipality of Ottawa-Carleton for the year ended December 31, 1985 was made for the purpose of forming an opinion on the consolidated financial statements referred to in our auditors' report to the Chairman and Members of Council of The Regional Municipality of Ottawa-Carleton dated April 4, 1986. The Schedule of Current Operations and the Schedule of Capital Operations are provided for purposes of additional information and are not required to be disclosed separately. This information has not been subjected to the auditing procedures applied in the examination of the consolidated financial statements and accordingly we do not express an opinion on the fair presentation of the information referred to above.

Clarkson Gordon

Ottawa, Canada,
April 4, 1986,
Licence No. 1217

Chartered Accountants

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

SCHEDULE OF CURRENT OPERATIONS
year ended December 31, 1985
(Unaudited)

	1985 Adopted Budget (000's)	1985 Actual (000's)	1984 Actual (000's)
REVENUE			
Levy and User Charges			
Requisition on area municipalities	$139,653	$140,146	$123,375
Transit fares	56,303	53,345	48,819
Sale of water	31,015	30,569	28,011
Sewer surcharge	5,427	5,442	3,367
Homes for the aged resident fees	4,679	4,992	4,517
Other	6,702	7,450	5,947
Contributions from Other Governments			
Canada	608	645	789
Ontario	123,021	124,031	110,867
Other municipalities	4,374	4,243	3,457
Contributions from reserves and reserve funds	5,226	7,403	6,272
Other	166	746	488
	377,174	379,012	335,909
EXPENDITURES			
Fund balance at beginning of year	2,556	2,556	553
General government	17,951	19,890	17,142
Protection to persons & property	1,839	1,460	1,391
Transportation services	159,784	159,414	145,355
Environmental services	66,519	67,665	59,209
Health services	16,602	16,362	15,343
Social and family services	103,338	103,059	88,775
Recreational and cultural services	579	579	522
Planning and development	8,006	8,027	10,175
	377,174	379,012	338,465
Fund balance at end of year	$ Nil	$ Nil	$ (2,556)

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

SCHEDULE OF CAPITAL OPERATIONS
year ended December 31, 1985
(Unaudited)

	1985	1984
	(000's)	(000's)
SOURCES OF FUNDS		
Net long term liabilities issued	$ 24,406	$ 26,513
Canada grants	978	8,553
Ontario grants	53,604	53,125
Contributions from current operations	5,635	4,475
Contributions from reserves and reserve funds	29,818	24,241
Other	238	351
Total sources of funds	114,679	117,258
APPLICATIONS		
Fund balance at beginning of year	3,424	4,449
General government	2,371	12,866
Transportation services	91,677	87,838
Environmental services	18,950	8,477
Health services	928	357
Social and family services	1,294	306
Planning and development	528	6,389
Total applications	119,172	120,682
Fund balance at end of year	$ (4,493)	$ (3,424)

OTTAWA-CARLETON
REGIONAL TRANSIT COMMISSION

9201

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Clarkson Gordon

Chartered Accountants
Suite 1200
160 Elgin Street
Ottawa, Canada K2P 2C4
Telephone: (613) 232-1511
Telex: 053-4206

AUDITORS' REPORT

To the Chairman and Members of the
Ottawa-Carleton Regional Transit Commission:

We have examined the balance sheet of the Ottawa-Carleton Regional Transit Commission as at December 31, 1985 and the statements of revenue and expenditure and changes in equity for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Commission as at December 31, 1985 and the results of its operations for the year then ended in accordance with the accounting principles described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Clarkson Gordon

Ottawa, Canada,
March 28, 1986,
Licence No. 1217.

Chartered Accountants

OTTAWA-CARLETON REGIONAL TRANSIT COMMISSION

BALANCE SHEET
December 31, 1985

ASSETS

	1985	1984
Current assets		
Accounts receivable	$ 1,145,795	$ 1,264,605
Subsidies receivable [notes 2 & 3]		
Province of Ontario	11,409,018	7,366,666
Regional Municipality of Ottawa-Carleton	569,606	2,267,808
Maintenance inventory, at cost	2,658,882	2,597,275
Prepaid expenses	284,055	459,547
	16,067,356	13,955,901
Long term assets		
Capital assets, at original cost		
Land	2,321,952	2,321,952
Buildings	20,364,284	19,269,182
Equipment	77,723,167	65,684,256
	100,409,403	87,275,390
Deferred charges		
Foreign exchange [note 4]	457,688	476,934
Pension obligation [note 5]	7,824,481	2,574,167
	8,282,169	3,051,101
Total assets	$124,758,928	$104,282,392

(See accompanying notes to the financial statements)

OTTAWA-CARLETON REGIONAL
TRANSIT COMMISSION

BALANCE SHEET
December 31, 1985

LIABILITIES AND EQUITY

	1985	1984
Current liabilities		
Temporary loans and bank overdraft [note 3]	$ 5,190,804	$ 1,309,821
Accounts payable & accrued liabilities [note 3]	6,771,408	7,712,193
Deferred revenue	725,369	599,569
Current portion of long term liabilities	1,795,353	1,254,840
	14,482,934	10,876,423
Long term liabilities		
Capital debt and lease obligations [notes 3 & 4]	6,352,180	7,251,189
Unfunded pension [note 5]	7,824,481	2,574,167
	14,176,661	9,825,356
Current portion of long term liabilities	(1,795,353)	(1,254,840)
	12,381,308	8,570,516
Equity		
Reserves	3,379,775	4,334,318
Represented by capital assets	94,514,911	80,501,135
	97,894,686	84,835,453
Total liabilities and equity	$124,758,928	$104,282,392

(See accompanying notes to the financial statements)

OTTAWA-CARLETON REGIONAL TRANSIT COMMISSION

STATEMENT OF REVENUE AND EXPENDITURE
year ended December 31, 1985

REVENUE

	Budget 1985 (Unaudited)	Actual 1985	Actual 1984
Revenue from operations			
Urban transit passenger service	$ 55,660,000	$ 52,807,322	$48,581,573
Other	2,372,798	2,259,175	1,978,614
	58,032,798	55,066,497	50,560,187
Operating subsidy			
Province of Ontario			
- Operating	17,358,748	18,002,637	17,211,805
- Transportation for the physically disabled	1,387,500	1,426,171	1,173,380
Regional Municipality of Ottawa-Carleton [note 3]			
- Operating	23,768,590	24,051,374	24,172,125
- Transportation for the physically disabled	1,050,610	1,060,054	837,580
	43,565,448	44,540,236	43,394,890
Capital and demonstration projects subsidy			
Province of Ontario			
- Capital and demonstration projects	12,070,009	9,831,339	6,693,953
- Transportation for the physically disabled	202,500	3,586	-
Government of Canada			
- ENERDEMO program	-	14,030	-
	12,272,509	9,848,955	6,693,953
Total revenue	$113,870,755	$109,455,688	$100,649,030

(See accompanying notes to the financial statements)

OTTAWA-CARLETON REGIONAL
TRANSIT COMMISSION

STATEMENT OF
REVENUE AND EXPENDITURE
year ended December 31, 1985

EXPENDITURE

	Budget 1985 (Unaudited)	Actual 1985	Actual 1984
Operating expenditure			
Transportation	$ 60,640,559	$ 59,617,991	$ 56,402,740
Plant and equipment maintenance	23,354,301	23,397,759	21,526,462
Administration and general	9,272,565	9,387,389	8,083,777
Financial charges	1,600,925	783,666	1,156,252
	94,868,350	93,186,805	87,169,231
Capital and demonstration projects expenditure			
Repayment of capital debt and lease obligations	787,250	907,374	1,269,550
Expenditure on capital assets and demonstration projects	16,525,270	13,826,241	9,198,636
	17,312,520	14,733,615	10,468,186
Appropriations to/(from) reserves, net	(950,725)	(954,543)	1,000,653
Other			
Transportation for the physically disabled	2,640,610	2,489,811	2,010,960
Total expenditure	$113,870,755	$109,455,688	$100,649,030

(See accompanying notes to the financial statements)

OTTAWA-CARLETON REGIONAL TRANSIT COMMISSION

STATEMENT OF CHANGES IN EQUITY
year ended December 31, 1985

RESERVES

	Dec. 31, 1984	Appropriations To	Appropriations From	Dec. 31, 1985
Working assets	$ 831,000	$ -	$ (-)	$ 831,000
Vacation [note 6]	245,780	101,460	(98,432)	248,808
Vested sick leave [note 7]	619,326	-	(49,418)	569,908
Self-insurance	183,800	50,000	(-)	233,800
Capital expenditure	2,454,412	1,966,779	(2,924,932)	1,496,259
	$4,334,318	$2,118,239	$(3,072,782)	$3,379,775

REPRESENTED BY CAPITAL ASSETS

	1985	1984
Opening balance	$80,501,135	$71,274,803
Repayment of capital debt and lease obligations	907,374	1,269,550
Additions	13,513,061	8,711,129
Retirements	(406,659)	(754,347)
	$94,514,911	$80,501,135

(See accompanying notes to the financial statements)

1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ottawa-Carleton Regional Transit Commission (the "Commission") have been prepared by management within reasonable limits of materiality and in accordance with accounting policies considered appropriate for an organization of this type. The Commission has adopted the accounting principles prescribed for Ontario Municipalities as outlined in the Municipal Financial Reporting Handbook except for the treatment of fixed assets. It is a generally accepted practice for Transit Commissions to record fixed assets on the balance sheet.

Since a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates which have been made using careful judgement. The following is a summary of the accounting policies of the Commission:

(a) Basis of accounting

Revenues, including subsidies, and corresponding receivables are accrued as they are earned; expenditures and corresponding payables are accrued as they are incurred except for long term debt interest which is recorded as an expense when it is paid.

(b) Maintenance inventory

Inventory is valued on the basis of average cost.

(c) Deferred foreign exchange

A deferred charge and corresponding liability are accrued for the difference between value at par and value at transaction date exchange rate for long term debt sold in foreign currency. The deferred liability for foreign exchange is combined with the related debt for balance sheet presentation. [See also note 4.]

(d) Accrued public liability

An estimate is included in accrued liabilities and the reserve for self-insurance for outstanding claims against the Commission which, if paid, will not be covered by the Commission's insurance policies.

(e) Deferred revenue

Ticket revenue is recognized when the tickets are presented for passage. An estimate is included in deferred revenue for the value of tickets which have been sold but not used.

Pass revenue is recognized in the period in which the passes are valid. The value of passes sold but not valid until after the end of the year is included in deferred revenue.

Any other revenues received during the year for services to be provided after the end of the year are also included in deferred revenue.

(f) Reserves

Reserves represent accumulated charges on operations for which there are no specific assets set aside.

2. FINANCIAL ASSISTANCE

The Ottawa-Carleton Regional Transit Commission, a statutory commission established by the Province of Ontario, is responsible inter alia to The Regional Municipality of Ottawa-Carleton ("The Region") for the conduct of its financial affairs. The Region is responsible for funding any deficit of the Commission which is in excess of the amount subsidized by the Province's Ministry of Transportation and Communications and thus makes levies against the area municipalities which are wholly or partly within its Urban Transit Area to meet this obligation.

3. RELATED PARTY TRANSACTIONS

Included within the financial statements are the following amounts resulting from transactions with The Region:

Balance Sheet	1985	1984
Accounts receivable	$ 116,671	$ 201,575
Subsidies receivable Municipal portion	569,606	2,267,808
	$ 686,277	$ 2,469,383
Temporary loans	$2,250,000	$ 500,000
Accounts payable	167,105	183,823
Capital debt [note 4(a)]	6,008,532	6,787,669
	$ 8,425,637	$ 7,471,492
Statement of Revenue and Expenditure		
Revenues		
Operations	$ 1,083,496	$ 1,130,088
Operating subsidy	25,111,428	25,009,705
	$26,194,924	$26,139,793
Expenditures		
Operating expenditures	$ 1,743,633	$ 1,870,063
Repayment of capital debt	779,137	1,173,797
	$ 2,522,770	$ 3,043,860

These financial statements do not contain costs for transitway development and construction which are within the jurisdiction of The Region.

4. CAPITAL DEBT AND LEASE OBLIGATIONS

(a) Capital debt

(Commission portion of debentures issued by The Region)

By-Law	Type	Interest Rate	Year of Final Payment	Unmatured 1985	Unmatured 1984
248-60	Serial	5.5%	1985	$ -	$ 24,000
158-70	S.F.*	9.0%	1985	-	750,000
135-71	Serial	7.5-8.0%	1986	81,000	156,000
140-71	S.F.*	8.0%	1991	750,000	750,000
195-73	Serial	8.5%	1988	133,000	171,000
199-73	S.F.*	8.5%	1993	125,000	125,000
34-75	Serial	9.25-9.75%	1980/90/95	1,212,000	1,351,000
220-75	Serial	7.5-9.375%	1991/96	604,000	699,000
156-77	Serial	8.375-9.25%	1985/92	851,000	973,000
186-77	S.F.*	8.375%	1997	1,212,000	1,212,000
115-79	Serial	10.375%	1995/2000	1,931,000	2,035,000
				6,899,000	8,246,000
Less sinking funds					
158-70				-	750,000
140-71				750,000	692,716
199-73				91,486	78,239
186-77 (at issue date exchange rate)				506,670	414,310
				1,348,156	1,935,265
				5,550,844	6,310,735
Deferred foreign exchange [note 4(c)]				457,688	476,934
				$6,008,532	$6,787,669

Scheduled debenture principal and sinking fund payments (net of estimated future earnings of the sinking funds) which will be made from operating revenue and subsidy funds are summarized as follows:

1986-1990	$3,117,172 (in total)
1991-1995	1,998,611 (in total)
1996 and thereafter	166,308 (in total)

* Sinking fund debenture

(b) Lease obligations

During 1972 the acquisition of thirty buses costing in the aggregate $1,309,737 was financed under a leasing agreement. This agreement obligates the Commission to make monthly payments of $11,670 until November, 1986. At that time the Commission has the unconditional option of either purchasing the buses for approximately 11% of their original capital cost or of continuing the lease agreement for a further period of twelve months. Title to these buses rests with the Continental Bank of Canada throughout the life of the lease agreement. The principal liability balance at December 31, 1985 was $264,130 (1984 - $389,101).

During 1985 office equipment acquired by means of a leasing agreement and amounting to $27,611 was added to capital assets. The balance of such leases at December 31, 1985 was $79,518.

The Commission has operating leases for premises and office equipment requiring total payments of approximately $184,000 per year.

(c) Capital debt and lease obligations payable in foreign currency

Included in capital debt is an amount of $4,197,720 (1984 - $4,619,806) payable in foreign currency all in U.S. dollars. This debt has been translated at $4,655,408 (1984 - $5,096,740) based on the exchange rate in effect when the debt was incurred. If the debt were translated into Canadian dollars at the exchange rate prevailing at December 31, 1985 it would amount to $5,866,314 (1984 - $6,104,612). At December 31, 1985 there is an amount of $421,782 (1984 - $430,639) held by The Region on behalf of the Commission for future Canadian/United States currency exchange fluctuations.

Payable in U.S. dollars:

Debenture By-Law	Unmatured 1985	Unmatured 1984
34-75 (part)	$ 912,000	$1,051,000
220-75	604,000	699,000
186-77	1,212,000	1,212,000
115-79	1,931,000	2,035,000
	4,659,000	4,997,000
Less sinking fund 186-77	(461,280)	(377,194)
	$4,197,720	$4,619,806

The capital lease obligations are all payable in Canadian funds.

5. PENSIONS

The Commission has a contributory pension plan. A present value calculation has quantified the unfunded past service liability at $7,824,481 (1984 - $2,574,167) and this amount has been recorded in the accounts. Prescribed future annual payments are as follows:

1986-1990 (annually)	$ 957,200
1991	855,200
1992	830,300
1993	670,700
1994	643,900
1995	575,100
1996-1999 (annually)	562,400

An actuarial evaluation has indicated that there is no experience deficiency in the pension plan as of January 1, 1985.

The actuarial liability increased during the year primarily because of improvements to the plan.

6. RESERVE FOR VACATION

Vacations are taken by waged employees in the fiscal year following the year in which they are earned. Vacations are taken by salaried employees in the fiscal year in which they are earned; prior to 1977, salaried employees were allowed to take their vacations in the following year. The remaining unpaid, pre-1977, unused vacation of the salaried employees is a liability to be paid to those employees in future years. The amount provided of $248,808 (1984 - $245,780) represents the approximate present value of an estimated liability of $368,500 (1984 - $448,300) for vacation pay. Of the provided amount, $142,000 (1984 - $136,200) relates to the current vacation entitlement and the balance relates to past service entitlement for pre-1977 salaried employees.

7. RESERVE FOR VESTED SICK LEAVE

The Commission's liability for accumulated sick leave days for salaried employees to the extent that they have vested and could be taken in cash on termination or retirement amounts to $1,800,000 (1984 - $1,900,000). An amount of $569,908 (1984 - $619,326) has been provided for this past service liability.

8. COMMITMENT FOR CAPITAL EXPENDITURE

The Commission has approved a budget for capital expenditure in 1986 amounting to $24,817,600 before anticipated provincial subsidy of $17,486,175. In respect of the budgeted capital expenditures, contractual commitments at December 31, 1985 totalled $63,110.

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON SINKING FUND

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Clarkson Gordon

Chartered Accountants
Suite 1200
160 Elgin Street
Ottawa, Canada K2P 2C4
Telephone: (613) 232-1511
Telex: 053-4206

AUDITORS' REPORT

To the Chairman and Members of
The Regional Municipality of
Ottawa-Carleton Sinking Fund Committee:

We have examined the balance sheet of The Regional Municipality of Ottawa-Carleton Sinking Fund as at December 31, 1985 and the statements of revenue and expenditure and surplus for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Sinking Fund as at December 31, 1985 and the results of its operations for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson Gordon

Ottawa, Canada,
April 4, 1986,
Licence No. 1217.

Chartered Accountants

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON SINKING FUND

BALANCE SHEET
December 31, 1985

ASSETS

	Canadian Dollars		U.S. Dollars	
	1985	1984	1985	1984
Cash	$ 112	$ 137	$ 57,892	$ 22,519
Loan to The Regional Municipality of Ottawa-Carleton	1,131,200	379,000		
Accrued interest	902,289	788,706	403,494	355,157
	$ 2,033,601	$ 1,167,843	$ 461,386	$ 377,676
Investments at amortized cost (note 2)	41,256,013	35,524,281	13,934,846	11,941,373
	$43,289,614	$36,692,124	$14,396,232	$12,319,049

LIABILITIES AND SURPLUS

Surplus payable	$ 1,157,984	$ 464,509		
Actuarial requirements for debenture retirement (note 4)	$29,636,621	$25,218,275	$10,721,679	$ 9,336,242
Surplus	12,495,009	11,009,340	3,674,553	2,982,807
Total actuarial requirements and surplus (note 3)	$42,131,630	$36,227,615	$14,396,232	$12,319,049
	$43,289,614	$36,692,124	$14,396,232	$12,319,049

(See accompanying notes to financial statements)

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON SINKING FUND

STATEMENT OF REVENUE AND EXPENDITURE
year ended December 31, 1985

	Canadian Dollars		U.S. Dollars	
	1985	1984	1985	1984
Revenue				
Sinking fund levies	$3,286,380	$1,491,701	$ 589,730	$ 914,126
Interest earned				
Investments	4,461,564	3,853,088	1,473,218	1,212,019
Loans to The Regional Municipality of Ottawa-Carleton	64,055	54,098	14,235	27,868
	$7,811,999	$5,398,887	$2,077,183	$2,154,013
Contribution from surplus	809,988	592,345	324,396	
	$8,621,987	$5,991,232	$2,401,579	$2,154,013
Expenditure				
Actuarial requirements	$5,168,346	$3,036,318	$1,385,437	$1,319,464
Surplus for the year	$3,453,641	$2,954,914	$ 1,016,142	$ 834,549

(See accompanying notes to financial statements)

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON SINKING FUND

STATEMENT OF SURPLUS
year ended December 31, 1985

	1985			1984
	Unallocated	Allocated for Discontinuance of Future Levies	Total	Total
		CANADIAN DOLLARS		
Balance, beginning of year	$ 6,969,998	$4,039,342	$11,009,340	$ 9,111,280
Surplus for the year	3,453,641		3,453,641	2,954,914
	$10,423,639	$4,039,342	$14,462,981	$12,066,194
Transfers authorized by Ontario Municipal Board	(4,777,968)	4,777,968		
	$ 5,645,671	$8,817,310	$14,462,981	$12,066,194
Contribution to revenue		$ 809,988	$ 809,988	$ 592,345
Transfer of funds in excess of sinking fund commitments		1,157,984	1,157,984	464,509
		$1,967,972	$ 1,967,972	$ 1,056,854
Balance, end of year	$ 5,645,671	$6,849,338	$12,495,009	$11,009,340
		U.S. DOLLARS		
Balance, beginning of year	$ 2,982,807		$ 2,982,807	$2,148,258
Surplus for the year	1,016,142		1,016,142	834,549
	$ 3,998,949		$ 3,998,949	$ 2,982,807
Transfers authorized by Ontario Municipal Board	(1,949,004)	1,949,004		
	$ 2,049,945	$1,949,004	$ 3,998,949	$ 2,982,807
Contribution to Revenue		324,396	324,396	
Balance, end of year	$ 2,049,945	$1,624,608	$ 3,674,553	$ 2,982,807

(See accompanying notes to financial statements)

Note 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of The Regional Municipality of Ottawa-Carleton Sinking Fund have been prepared by the Treasurer of the Sinking Fund Committee within reasonable limits of materiality and in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Since a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates and approximations which have been made using careful judgement. The following is a summary of the accounting policies of the Sinking Fund Committee.

a) Investments

All investments are purchased with the intention of holding them until maturity and are recorded at cost adjusted annually for amortization of discount or premium on the basis of the effective annual yield as determined at the date of purchase with the amount of such amortization included in interest revenue in the statement of revenue and expenditure.

b) Foreign Currency

The policy of the Sinking Fund Committee is to receive annual levies in U.S. dollars and invest them in securities payable in U.S. dollars to meet the par value of sinking fund debentures payable in U.S. currency. Accordingly this portion of the sinking fund is presented separately in U.S. dollars and there are no foreign currency translations in these financial statements.

c) Actuarial Requirements

The actuarial requirements of the sinking fund provisions for the year represent the amounts levied during the year as set out in the sinking fund debenture by-laws plus interest thereon capitalized at a rate not exceeding 8% per annum compounded annually in accordance with the Regional Municipality of Ottawa-Carleton Act. The excess of revenue over these requirements for the year is included in surplus.

d) Surplus Payable

The total actuarial requirements and surplus of certain sinking fund accounts exceed the amount required to meet the principal amount of the debentures represented by the sinking fund accounts at maturity date. When a surplus occurs in a sinking fund account, the Sinking Fund Committee shall distribute such surplus in accordance with the provisions of subsection 43 of section 133 of the Regional Municipality of Ottawa-Carleton Act.

Note 2. INVESTMENTS AT AMORTIZED COST

Investments consist of securities issued or guaranteed by the following:

	Canadian Dollars		U.S. Dollars	
	1985	1984	1985	1984
Government of Canada	$ 6,141,167	$ 5,093,221	$ 3,916,330	$ 3,124,606
Provincial governments and agencies	5,079,091	3,934,413	5,711,264	4,690,177
Municipal governments				
The Regional Municipality of Ottawa-Carleton	15,123,453	12,292,825	2,041,643	1,675,875
Other municipalities	14,581,197	13,673,592	1,425,166	1,434,813
Other	331,105	530,230	840,443	1,015,902
Amortized cost	$41,256,013	$35,524,281	$13,934,846	$11,941,373
Par value	$43,680,175	$37,774,250	$14,895,000	$12,653,700
Market value	$44,505,613	$35,518,000	$14,792,015	$11,935,000

Note 3. TOTAL ACTUARIAL REQUIREMENTS AND SURPLUS

The portion of the total actuarial requirements and surplus applicable to the Regional Municipality and area municipalities is set out in the following schedule:

	Canadian Dollars		U.S. Dollars	
	1985	1984	1985	1984
Regional purposes				
General municipal	$14,511,187	$10,983,833	$ 8,656,192	$ 7,292,650
Water & OC Transpo	12,807,082	12,041,888	554,525	453,442
Total Regional purposes	$27,318,269	$23,025,721	$ 9,210,717	$ 7,746,092
Area municipality purposes	14,813,361	13,201,894	5,185,515	4,572,957
	$42,131,630	$36,227,615	$14,396,232	$12,319,049

Note 4. ACTUARIAL REQUIREMENTS FOR DEBENTURE RETIREMENT

Sinking fund debentures authorized by by-law 158 of 1970 matured on November 15, 1985. The following indicates the status of the actuarial requirements for debenture retirement as at December 31, 1985.

	Canadian Dollars		U.S. Dollars	
	1985	1984	1985	1984
Balance, beginning of year	$25,218,275	$23,311,957	$ 9,336,242	$8,016,778
Add:				
Actuarial requirements	5,168,346	3,036,318	1,385,437	1,319,464
	$30,386,621	$26,348,275	$10,721,679	$9,336,242
Deduct:				
Par value of debentures matured in year	750,000	1,130,000		
Balance, end of year	$29,636,621	$25,218,275	$10,721,679	$9,336,242

OTTAWA-CARLETON
REGIONAL HEALTH UNIT

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Clarkson Gordon

Chartered Accountants
Suite 1200
160 Elgin Street
Ottawa, Canada K2P 2C4
Telephone: (613) 232-1511
Telex: 053-4206

Chairman and Members of the Board
Ottawa-Carleton Regional Health Unit:

We have examined the balance sheet of the Ottawa-Carleton Regional Health Unit as at December 31, 1985 and the statement of revenue and expenditure for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Ottawa-Carleton Regional Health Unit as at December 31, 1985 and the results of its operations for the year then ended in accordance with accounting principles prescribed for Ontario Municipalities and their local boards applied, after giving retroactive effect to the restatement as explained in note 2 to the financial statements, on a basis consistent with that of the preceding year.

Clarkson Gordon

Ottawa, Canada,
March 21, 1986,
Licence No. 1217.

Chartered Accountants

OTTAWA-CARLETON
REGIONAL
HEALTH UNIT

BALANCE SHEET
December 31, 1985

ASSETS

	1985	1984 (Restated - Note 2)
Cash	$ 383,266	$642,126
Accounts receivable:		
Province of Ontario	528,126	235,557
Other	274,561	60,791
	$1,185,953	$938,474

LIABILITIES

Accounts payable and accrued charges:		
Trade	$ 477,486	$454,562
Accrued payroll	404,631	384,430
Regional Municipality of Ottawa-Carleton	303,836	99,482
	$1,185,953	$938,474

(See accompanying notes to the financial statements)

OTTAWA-CARLETON
REGIONAL
HEALTH UNIT

STATEMENT OF REVENUE AND EXPENDITURE
year ended December 31, 1985

	1985	1984 (Restated - Note 2)
Revenue:		
Public health services -		
Province of Ontario - general grant	$ 7,330,183	$ 6,252,086
Regional Municipality of Ottawa-Carleton	2,447,862	2,086,014
Costs recoverable from other programs	539,966	249,340
Other provincial revenue - STD fees	221,731	221,043
Interest income	58,795	66,475
Miscellaneous revenue	38,276	21,224
	10,636,813	8,896,182
Other health care programs -		
Dental treatment program	1,040,472	911,769
Family Planning	283,100	289,679
Eat Right Feel Bright	23,128	
Morning Munch		7,830
Antenatal survey - Province of Ontario		1,634
	$11,983,513	$10,107,094
Expenditure:		
Public health services -		
Nursing	$ 5,578,599	$ 5,559,279
Administration	2,694,349	902,930
Inspection	1,329,513	1,347,229
Preventative dental care	582,753	590,794
Management - medical	306,062	355,307
Communication coordinator	81,866	61,306
Nutrition	63,671	79,337
	10,636,813	8,896,182
Dental treatment	1,040,472	911,769
Family Planning	283,100	289,679
Eat Right Feel Bright	23,128	
Morning Munch		7,830
Antenatal Survey		1,634
	$11,983,513	$10,107,094

(See accompanying notes to the financial statements)

Note 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Ottawa-Carleton Regional Health Unit have been prepared by management within reasonable limits of materiality, and in accordance with accounting policies which conform to accounting principles prescribed or accepted for Ontario municipalities. These policies have been applied in all material respects on a basis consistent with that of the preceding year after giving retroactive effect to the change referred to in note 2. Since a precise determination of many assets and liabilities is dependent upon future events, the preparation of periodic financial statements necessarily involves the use of estimates which have been made using careful judgement. The following is a summary of the significant accounting policies of the Health Unit.

Accrual accounting -

The Health Unit follows the accrual method of accounting for revenues and expenditures with the exception that vested employee leave benefits which may be converted to a benefit payment on termination are charged to expenditures in the year they are paid.

Fixed assets -

Fixed assets are charged to expenditures in the year of acquisition.

Inventory -

Inventory items are expensed on acquisition.

Note 2. BASIS OF FINANCIAL STATEMENTS

In previous years, all programs fully funded by the Province of Ontario have been excluded from these financial statements irrespective of their fiscal year-end for funding purposes. Effective in 1985, the Health Unit is required to include in its financial statements all such programs which are funded on a calendar year basis. As a result of this change, which has been adopted retroactively, the Family Planning Program is now included in the financial statements and the 1984 comparative amounts of revenue and expenditure have each been increased by $289,679.

Note 3. LIABILITY FOR VESTED SICK LEAVE BENEFITS AND VACATION PAY

The Health Unit's liability with respect to employees' accumulated sick leave days, to the extent that they have vested and could be taken in cash by an employee on termination, amounted to approximately $680,000 as at December 31, 1985 ($729,000 in 1984).

The Health Unit's liability with respect to accumulated vacation leave entitlement amounted to approximately $313,000 as at December 31, 1985 ($230,000 in 1984).

These amounts have not been provided for in the accounts. The Health Unit follows the practice of charging these costs to expenditures as paid.

Note 4. LONG-TERM LEASES AND COMMITMENTS

The Health Unit has entered into lease agreements for certain office premises and equipment which require the following minimum annual lease payments:

1986	-	$112,000
1987	-	44,000
1988	-	35,000
1989	-	34,000
1990	-	20,000

The Health Unit has entered into an agreement with The Regional Municipality of Ottawa-Carleton for its premises at 495 Richmond Road. The 1986 costs are estimated at $990,000 and are not included in the minimum annual lease payments described above.

The Health Unit has also entered into an agreement with the City of Ottawa for the leasing of vehicles. The 1986 lease payments are estimated at $139,000 and are not included in the minimum lease payments described above.

Note 5. FUNDING

The Ottawa-Carleton Regional Health Unit administers two programs for which funding is shared by the Province of Ontario and The Regional Municipality of Ottawa-Carleton. The Province and the Region fund all costs of these programs in a 75% - 25% cost sharing ratio respectively, except for costs related to the Dental Treatment Program.

Salary costs of the Dental Treatment Program are funded 30% by the Province and 70% by the Region, while all remaining costs of the Dental Treatment Program are funded 100% by the Region.

The Health Unit also administers a number of programs which are funded entirely by the Province of Ontario. However, only the Family Planning Program, which is funded on a calendar year basis, is included in these financial statements. All other programs which are fully funded on the basis of a March 31 year-end have been excluded from these financial statements.

Any over or under funding under these programs during the program year is accounted for as a payable or a receivable at the end of the year, which results in revenues being equal to expenditures.

Note 6. STATEMENT OF CHANGES IN FINANCIAL POSITION

A statement of changes in financial position has not been included since no additional meaningful information not already disclosed in these financial statements would be provided.

HOMES FOR THE AGED TRUST FUNDS

A MEMBER OF ARTHUR YOUNG INTERNATIONAL

Clarkson Gordon

Chartered Accountants
Suite 1200
160 Elgin Street
Ottawa, Canada K2P 2C4
Telephone: (613) 232-1511
Telex: 053-4206

To the Chairman and Members of Council
of the Regional Municipality of Ottawa-Carleton:

We have examined the balance sheet of the Homes for the Aged - Trust Funds as at December 31, 1985 and the statement of continuity of trust funds for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances, except as described in the following paragraph.

The Homes for the Aged - Trust Funds derives deposits from residents the completeness of which is not susceptible to conclusive audit verification. Accordingly, we were unable to determine whether any adjustments for unrecorded receipts might be necessary to deposits from residents and to the balances of cash and due to residents at the end of the year.

In our opinion, except for the effect of any adjustments which might have been required had we been able to satisfy ourselves with respect to the deposits described in the preceding paragraph, these financial statements present fairly the financial position of the Homes for the Aged - Trust Funds as at December 31, 1985 and the continuity of trust funds for the year then ended in accordance with the accounting principles described in note 1 to the financial statements applied on a basis consistent with that of the preceding year.

Clarkson Gordon

Ottawa, Canada,
March 14, 1986,
Licence No. 1217.

Chartered Accountants

THE REGIONAL MUNICIPALITY OF OTTAWA-CARLETON

HOMES FOR THE AGED —TRUST FUNDS year ended December 31, 1985

STATEMENT OF CONTINUITY

	Island Lodge	Carleton Lodge	Centre D'Accueil Champlain	1985 Total	1984 Total
Balance at beginning of year	$1,050,240	$266,309	$120,342	$1,436,891	$1,326,360
Deposits from residents	524,122	154,985	102,307	781,414	728,920
Interest earned	84,005	20,914	10,280	115,199	119,282
	1,658,367	442,208	232,929	2,333,504	2,174,562
Payments on behalf of residents	576,089	176,482	68,977	821,548	737,671
Balance at end of year	$1,082,278	$265,726	$163,952	$1,511,956	$1,436,891

BALANCE SHEET

Assets					
Cash	$1,082,278	$265,726	$163,952	$1,511,956	$1,436,891
Liabilities					
Due to residents	$1,082,278	$265,726	$163,952	$1,511,956	$1,436,891

(See accompanying note to the financial statements)

Note 1. SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Homes for the Aged - Trust Funds of The Regional Municipality of Ottawa-Carleton have been prepared by management within reasonable limits of materiality and in accordance with accounting policies which conform to accounting principles prescribed for Ontario municipalities and on a basis consistent with that of the preceding year.